

THE DIGEST

Business news
in today's Chicago Tribune

CHICAGO

Tenneco forges ahead as parts rivals falter

At a time when most auto-parts suppliers are struggling to make money, Lake Forest-based Tenneco Automotive Inc. has managed to steer around the fiscal woes that have claimed some of its rivals. The company, which announced Friday that it was changing its name to Tenneco Inc., this week reported a third-quarter profit of 23 cents a share. **BUSINESS, PAGE 2**

NATION

Sprint to offer mobile song downloads

As Sprint Nextel upgrades its network for speedier Internet connections and other data services, they are adding a service named "Sprint Music Store," offering music downloads from a wide array of genres for \$2.50 per song. The purchase entitles a user to download as well of the same song to a computer as well. **BUSINESS, PAGE 2**

ICC puts telecom mergers on hold

Federal regulators failed to reach agreement on whether to approve SBC Communications' takeover of AT&T, and Verizon Communications' purchase of MCI. The Federal Communications Commission met through the day but could not agree on what conditions, if any, should be attached to the deals. Another meeting was set for Monday. **BUSINESS, PAGE 8**

EARNINGS

Peoples Energy trims loss; ADM slips

Peoples Energy Corp. reported a fourth-quarter net loss of \$2.3 million, compared with a loss of \$10.3 million in the year-ago period. Also, Archer Daniels Midland Co. said first-quarter profit fell 30 percent, as hurricanes disrupted corn and soybean shipments. The company posted net income of \$86.3 million, down from \$266.3 million a year earlier. **BUSINESS, PAGE 2**

MARKETS

DOW INDUST.	NASDAQ	S&P 500	10-YEAR T-NOTE
▲	▲	▲	▲
172.82	+26.07	+19.51	+0.01
10,402.77	2089.88	1198.41	4.57%

STOCK TABLES, PAGE 5

TECHNOLOGY

Gaming aims for comeback

Several major companies, including Microsoft Corp. and heavyweights such as GameStop Corp. and Dell Inc., are trying to revitalize PC gaming after several years during which attention has shifted to sophisticated video-game consoles like Xbox and PlayStation 2. **BUSINESS, PAGE 3**

Speaker system uses mind power

Gadget uses psychoacoustics to trick the brain into thinking the sounds unfolding on the screen are coming from right, left and center. **BUSINESS, PAGE 3**

Advice from James Coates: The Auto-aid feature is not necessarily the culprit when icons start to disappear from the taskbar. **BUSINESS, PAGE 3**

Web site a must-see for movie buffs

As of last week, when the Internet Movie Database celebrated its 15th anniversary, the site contained information on 471,378 film titles and nearly 1.2 million people. Company officials point out that about 30 million unique users fill up IMDb.com every month, making the site one of the most visited on the Internet. **BUSINESS, PAGE 4**

COMING SUNDAY

Tribune series: The broken heartland

In the face of recent poverty statistics that show that many of the worst-

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Bowling lanes, a movie theater and a health club are among tenants in the two-tower development that includes a hotel and high-rise condominiums.

Tribune photo by Milbert O. Brown

River East garage, retail space sold

Boston developer pays \$117 million

By Thomas A. Corfman
Tribune staff reporter

A Boston developer and pension fund adviser is paying \$117 million to buy the retail space and garage in the mixed-use River East Center development in Streeterville. Intercontinental Real Estate Corp. has a contract to buy the 1,150-car garage and 260,000 square feet of retailing in the two-tower development, which also includes an Em-

bassy Suites hotel and a condominium high-rise. Tenants include upscale bowling alley Lucky Strike Lanes, high-end health club Holmes Place and a 21-screen AMC movie theater. Driving the deal is the neighborhood's building boom. "With all that residential coming, I've got to believe that the combination of a cinema, a workout club and Lucky Strike is a good thing," said Peter Palandjian, Intercontinental's chairman and chief executive, who confirmed the deal. The transaction, which is

expected to close in December, is another sign of investors' continued hunger for retail real estate. Although investments in other property types, such as warehouse and office buildings, have surged this year, the buying spree for large malls and smaller strip centers began three years ago, experts in the field say. "The consumer spending that has fueled the economy has translated into great market fundamentals for retail: high occupancy levels and good rental rate growth," said George Good, executive vice president. PLEASE SEE **RETAIL, PAGE 8**

Delta bringing its Song to an end

United committed to continuing Ted, its discount airline

By Mark Skertic
Tribune staff reporter

United Airlines on Friday said it remained committed to expanding its discount airline, Ted, even as competitor Delta Air Lines announced it was abandoning its



GDP up 3.8% in 3rd period

Dow adds 172 points; uncertainty lingers

By James P. Miller
Tribune staff reporter

The U.S. economy accelerated at a faster-than-expected clip in the third quarter, the Commerce Department said Friday, and the report drove the Dow Jones industrial average up more than 170 points. Helped by unusually strong consumer spending on automobiles and an upturn in the amount businesses spent on equipment, the nation's gross domestic product grew at an annualized rate of 3.8 percent, the report said. Although that performance only modestly exceeded the 3.6 percent or 3.7 percent rate

most economists had been expecting, it helped soothe some investor worries that the economy might be flagging. "A pretty decent number," Merrill Lynch economist David Rosenberg suggested. The GDP data, coming on the heels of a second quarter that saw 3.3 percent growth, "suggest the case for sustainable growth remains in place," said Wachovia economist John Silvia. But while economists were content to cautiously crunch the numbers, Wall Street embraced the report as a good reason to stage a party. Stocks soared, with the Dow recording a jump of 172.82 points, or 1.7 percent, to close at 10,402.77. The only one of the 30 Dow stocks that didn't gain

PLEASE SEE **ECONOMY, PAGE 8**

OIL INDUSTRY PROFITS

Cash glut hints at deeper issues

By Greg Burns
Tribune senior correspondent

The world's biggest oil companies are piling up cash faster than they can spend it, sparking a backlash amid sky-high gasoline and heating-fuel prices. On Friday, Chevron Corp. became the last of the Big Five to join the industry's third-quarter earnings boom, with its \$3.6 billion bringing the group's total take for the three-month period to a staggering \$33 billion. The oil industry's profit gusher is angering motorists and home-owners who believe they're being gouged, prompting some congressional critics to propose seizing the windfall altogether. Yet beyond the strong emotions it provokes, the stockpiling of megabucks in oil-industry coffers may be signaling a downbeat trend in the economy. While U.S. consumers and the federal government have been spending more than they have on hand, companies over

How much money?

As gasoline and heating fuel prices continue to soar, the top five oil giants are expected to take in profits of more than \$27 billion in the third quarter alone. ■ Buy all the stock in Sara Lee Corp. and Deere & Co. ■ Build 36 Trump Tower Chicagos. ■ Launch your own airline with a fleet of 207 Boeing 7E7s, the company's huge new plane. ■ Buy every single thing exported from Ozzie Guillen's homeland (Venezuela) in 2004. ■ Be just 19 times richer than Oprah.

the past five years have quietly amassed substantial surpluses. Corporate decision-makers have found nowhere to spend all their profits without taking on what they con-

PLEASE SEE **CASH, PAGE 8**

Motorola to recoup \$500 million over Telsim

By Mike Hughlett
Tribune staff reporter

Motorola Inc. will get at least \$500 million in a settlement with Turkish regulators over the collapse of a phone

After the GDP report was issued, noted the market-analysis firm Briefing.com, "buyers returned to the market in aggressive fashion."

The report is what's known as an "advance" estimate, a preliminary reading that involves a certain amount of guesswork because certain figures for the quarter's final month are still coming in. It is routinely adjusted in subsequent months.

Friday's report is thought to be burdened with more such uncertainty, because Hurricane Katrina's end-of-August blast to

ed Press, the report "basically drove home the point that the economy was healthy before the hurricanes and indeed may have remained healthy afterward as well."

Government spending jumped 7.7 percent in the quarter, presumably reflecting the first wave of federal post-hurricane relief spending.

Investment in housing eased but remained at a very strong level while business inventories declined, in part because of Katrina-related shortages and transportation problems. Busi-

lowest level in 13 years because of energy costs, and the Labor Department reported that wages in the third quarter increased by the smallest amount since 1981.

Economic growth in the fourth quarter "will be below potential" because the negative impact of Katrina's disruption will play a more prominent role, noted Faucher.

But he added that it will accelerate in the first half of 2006 as energy prices decline and heavy federal reconstruction spending kicks in. Those factors "will

to compete with low-cost rivals like Southwest Airlines, JetBlue Airways and AirTran Airways. The news lifted JetBlue 76 cents, to \$18.05, and AirTran added 19 cents, to \$14.40. Southwest rose 31 cents, to \$15.75.

Microsoft advanced 68 cents, to \$25.53, and was the biggest contributor to the S&P 500's gain.

According to Bloomberg News, a Credit Suisse First Boston analyst raised Microsoft's rating to "outperform" from "neutral."

jpmiller@tribune.com

RETAIL: Investment market may be slowing

CONTINUED FROM PAGE 1

president with real estate firm CB Richard Ellis Inc., who isn't involved in the deal.

River East Center is on the block bounded by Grand Avenue, Illinois Street, McClurg Court and Columbus Drive.

The seller is a venture managed by Chicago developer Daniel McLean, chief executive of MCL Cos. McLean developed the massive complex in 2002 and bought back the retail/garage component 18 months ago from Mitsui Sumitomo Insurance Co.

The Tokyo insurer gained control over the development the same year after a construction loan default, amid a clash between McLean and some of his investors. Intercontinental is paying about \$32 million more than the McLean venture, sources said. Yet Intercontinental sees a strong upside in leasing the remaining vacant space, including two large first-floor spaces totaling 26,600 square feet, according to a floor plan.

Also available: an 18,500-square-foot space in the second-

floor lobby, near Lucky Strike and the ticket counter for the theater, which is one of the top financial performers locally among movie chains. The theaters themselves are on the third floor.

The retail portion of the building totals 260,000 square feet, including common areas. Other tenants include Harris Bank and Walgreens, which combined have nearly 16,000 square feet. The drugstore signed a 40-year lease in 2004.

The total value of sales of malls and other retail properties in the Chicago area more than doubled, to \$376.2 million, during the first nine months of 2005 compared with the same period a year ago, according to research firm Real Capital Analytics Inc. The average yield, or capitalization rate, is 7 percent for the 20 deals tracked by Real Capital this year.

On River East Center, the initial yield is expected to be a little more than 7 percent, but it could exceed 9 percent when the space is fully leased.

But the deal is not without risk. Lucky Strike was started in just 2003 and its success is not yet proven, and the Holmes Place gym is a joint venture of the London chain by the same name and troubled Chicago health club company Bally Total Fitness Holding Corp.

The two tenants combined have an estimated 68,500 square feet, with the fitness center accounting for 32,500 square feet.

And the retail real estate in-

Retail space sells well

Amid the hot market for real estate investments this year, sales of retail assets in the Chicago area have grown faster than any other property type, increasing by 109 percent.

TOTAL SALES DURING FIRST NINE MONTHS OF 2005

In millions of dollars

		Percent change from 2004
Downtown office	\$2,506	18%
Apartment rentals	\$1,771.8	74%
Suburban office	\$1,431.3	29%
Warehouse	\$1,417.5	76%
Strip centers	\$926.1	85%
Malls and other retailing	\$376.2	109%
Industrial office	\$137.6	60%

Source: Real Capital Analytics

Chicago Tribune

vestment market nationwide may be slowing, reflecting "investor concern about either the impact of rising energy costs on disposable income, or rising interest rates, which could end the cash-out refinancing boom," according to a report this week by New York-based Real Capital.

But Intercontinental is accustomed to such risks. The company, which was founded in 1959 as

a construction company by Palandjian's father, raised its first real estate investment fund in 1996 and now manages a \$1 billion portfolio.

"In Boston, they are known more as developers, and they have obviously taken that to another level," said Paul Lundstedt, an executive director with real estate firm Cushman & Wakefield Inc.

tcorfman@tribune.com

CASH: Investment lacking

CONTINUED FROM PAGE 1

sider imprudent risks.

By failing to make productive investments while they're flush with cash, businesses could be setting the stage for slower growth in the future. At the same time, they have indirectly encouraged an unsustainable housing boom by making more credit available at low interest

said Paul Kasriel, chief economist at Northern Trust. "It has implications for the longer term. What's going to increase our ability to grow in the future? McMansions or capital equipment and research and development?"

Those sentiments were echoed last week on Capital Hill, where House Speaker Dennis Hastert (R-Ill.) called on oil firms to build refineries and pipelines. "These companies need to invest in America's energy infrastructure and resources," he said at a news conference.

Others go further, including Sen. Byron Dorgan (D-N.D.), who proposes seizing oil indus-

er activities in coming years, said John Felmy, chief economist at the industry-controlled American Petroleum Institute. "They are spending a lot."

Even so, oil firms are spending much less than they might, given their enormous profits, including Exxon Mobil Corp.'s third-quarter bonanza of nearly \$10 billion. Analysts say Big Oil is gun-shy for good reasons.

When oil boomed in the 1970s, these same companies spent wildly. Risks were underestimated and exploration mostly failed to pay off. Nearly two decades of sluggish results and consolidation followed. Burned repeatedly in the past, oil companies now take a skeptical view

commodity markets can change in a heartbeat.

"This is a long-term business. You make decisions now that see results in 2015," Kepes said. "They can't be seen to throw money away, no matter what."

As a consequence, oil executives should not be blamed for hesitating to approve new drilling in ultradeep waters, the remote interior of Africa or the northern Arctic, Kepes said. As BP PLC Chief Executive John Browne put it earlier this month: "This is not like making a chocolate bar. We can't do it very quickly."

The same goes for adding refineries in North America, where the last one came on line